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"ENCROACHING CONTROL"

An Address By
Ronald Reagan
Host and Supervisor of the
General Electric Theater, at the Annual
Meeting of the Phoenix Chamber of
Commerce.

March 30, 1961

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ENCROACHING CONTROL

An Address by
Ronald Reagan

It must seem presumptuous to some of you for a member of my profession to stand here and attempt to talk on problems of the nation. It would be strange if it were otherwise. We in Hollywood are not unaware of the concept many of our fellow citizens have of us and of our industry. We realize that our merchandise is made up of tinsel, colored lights and a large measure of make-believe. It is also true that our business methods and practices have reflected this footlight glamour more than the very real side of our very real business.

However, a few years ago "a funny thing happened to us on the way to the theatre". Ugly reality came to our town on direct orders of the Kremlin. Hard core party organizers infiltrated our business. They created cells, organized Communist fronts, and for a time, deceived numbers of our people, who with the best of intentions, joined these fronts while still ignorant of their true purpose. The aim was to gain economic control of our industry and then subvert our screens to the dissemination of Communist propaganda.

Whatever the shortcomings, Hollywood had achieved a great deal. In the finest traditions of free enterprise, 70 per cent of the playing time of all the screens of the world had been captured by the output of the American film capitol. You may disagree sometimes with our "boy meets girl" plot, but all over the world our pictures were a window through which less fortunate humans had a glimpse of freedom and of our material comforts as well. The men in the Kremlin wanted this propaganda medium for their own destructive purposes.

Confident of their power, the Reds in our midst made one mistake in judgment. They mistook their ability to deceive for success in conversion. Under the guise of a jurisdictional strike, they made an open effort to destroy the guilds and unions who remained free from their control. Ultimately, they hoped for one vertical union of motion picture people under the umbrella of Harry Bridges' maritime union. After the first shock, the people of the movie colony rallied quickly--we lived through scenes that heretofore had been only make-believe. Thousands of massed pickets overturned cars, homes were bombed, and threats of acid in the face were directed at performers. Months later their power was broken. The studios had remained open thanks to the refusal of management and the majority of our people to be intimidated.

We now know of course that we only won an isolated battle. In the "spirit of Camp David" the Communist party has ordered once again the

infiltration of the picture business as well as the theatre and television. They are crawling out from under the rocks; and memories being as short as they are, there are plenty of well-meaning but misguided people willing to give them a hand.

We don't mean to present ourselves as "being able to run the circus now that we've seen the monkey," but it is possible we have an awareness not shared by many of our fellow citizens.

Most people agree that the ideological struggle with Russia is the number one problem in the world. Millions of words are used almost daily to record the fluctuating temperature of the cold war. And yet, many men in high places in government and many who mould opinion in the press and on the airwaves, subscribe to a theory that we are at peace, and we must make no overt move which might endanger that peace. "Men cry peace, but there is no peace." The inescapable truth is that we are at war, and we are losing that war simply because we don't, or won't, realize that we are in it.

True, it is a strange war fought with unusual weapons, but we cannot yell foul, because it is a declared war. Karl Marx established the cardinal principle that Communism and Capitalism cannot co-exist in the world together. Our way of life, our system, must be totally destroyed; then the world communist state will be erected on the ruins. In interpreting Marx, Lenin said, "It is inconceivable that the Soviet Republic should continue to exist for a long period side by side with imperialistic states. Ultimately, one or the other must conquer."

Last November, the communist parties of 81 countries held a convention in Moscow; and on December 6, re-affirmed this principle of war to the death. In a 20,000-word manifesto, they called on Communists in countries where there were non-communist governments to be traitors and work for the destruction of their own governments by subversion and treason.

Only in that phase of the war which causes our greatest fear are we ahead--the use of armed force. Thanks to the dedicated patriotism and realistic thinking of our men in uniform we would win a shooting war. But, this isn't a decisive factor in the Communist campaign. They never really intended to conquer us by force unless we yielded to a massive peace campaign and disarmed. Then, the Russians would resort to armed conflict if it could shortcut their time table with no great risk to themselves.

In 1923, Lenin said that they would take Eastern Europe, next organize the hordes of Asia, then surround the United States, and, he predicted, "...that last bastion of Capitalism will not have to be taken. It will fall into our outstretched hands like over-ripe fruit."

Eastern Europe has been taken, and they are organizing the hordes of Asia around the red colossus of China. Even now, it would appear we are preparing to drink the bitter cup of capitulation in Laos only partly diluted by face-saving devices. Cuba is a Soviet beach-head ninety miles off shore, and more than 250,000 communist organizers are spread up and down Latin America.

Meanwhile, other communist tactics are also working on schedule. Bulganin said, "The American working man is too well fed; we cannot appeal to him, but when through inflation America has priced herself out of the world market and unemployment follows--then we will settle our debt with the United States."

American apathy is due at least in part to our belief that the small number of American Communists is evidence of weakness and a lack of threat. But, history makes no secret of the fact that Lenin became the leader of the world conspiracy on just that issue--that the Communist party would remain a small, dedicated, highly-trained cadre which would use and manipulate the masses when necessary. Lenin termed us the "willing idiots." In our life time, this dedicated handful has enslaved one-third of the world's people on one-fourth of the earth's land surface.

The Communists are supremely confident of victory. They believe that you and I, under the constant pressure of the cold war, will give up, one by one, our democratic customs and traditions. We'll adopt emergency "temporary" totalitarian measures, until one day we'll awaken to find we have grown so much like the enemy that we no longer have any cause for conflict.

Three months before his last visit to this country, Nikita Khrushchev said, "We can't expect the American people to jump from Capitalism to Communism, but we can assist their elected leaders in giving them small doses of Socialism, until they awaken one day to find they have Communism." This is not a new thought. In 1788, James Madison told the Virginia convention, "Since the general civilization of mankind, I believe there are more instances of the abridgment of the freedom of the people by gradual and silent encroachment of those in power than by violent and sudden usurpations."

Others much more recently have counted on this with no realization they would one day be furthering the Soviet cause. A socialist clergyman, writing in the New Leader, the socialist magazine of 1927, called for a new strategy. He said Socialists should place themselves in government jobs and work for government ownership of power, and control of railroads, banking, and key industries. He called his program--"Encroaching Control." Not too long ago, Norman Thomas, six times a candidate for President on the socialist party ticket, commented that "the American

people would never knowingly vote for Socialism but that under the name of liberalism, they would adopt every fragment of the socialist program."

Appealing not to the worst, but to the best in our natures, they have used our sense of fair play--our willingness to compromise--and have perfected a technique of "foot in the door" legislation. Get any part of a proposed program accepted, then with the principle of governmental participation in that field established, work for expansion, always aiming at the ultimate goal--a government that will someday be a big brother to us all.

Traditionally, one of the easiest first steps in imposing statism on a people has been government paid medicine. It is the easiest to present as a humanitarian project. No one wants to oppose care for the sick. Today, we have the costliest governmental medical program in the world in our Veterans Administration hospitals. All of us are agreed that a man wounded in the service of his country is entitled to the finest in medical and hospital care. However, today three out of four Veterans Administration beds are filled with patients suffering diseases or injuries neither originated by, nor aggravated by military service. There are only 40,000 service connected disabilities in the United States, yet every year the Federal budget contains millions of dollars for additional Veterans Administration hospital building and expansion. Counting the twenty-three million of us who are veterans plus other governmental programs, one of four citizens are entitled to some form of government paid medical or hospital care.

It is now proposed that all people of social security age be given government paid medical and hospital care. Once again, emergency is invoked, and we are given a picture of millions of senior citizens desperately needing medical care and unable to finance it. In all the emotional presentation, the backers of this program seem strangely reluctant to face the facts. In the last ten years, 127 million Americans have come under the protection of some form of medical and hospital insurance. This includes more than two-thirds of those of social security age and more than 70 per cent of all citizens. If the present rate of increase continues, by 1970 some 90 per cent of the population will be so insured. As nearly as can be determined, less than 10 per cent of our senior citizens require aid in meeting their medical needs.

The last session of Congress adopted a measure known as the Kerr-Mills bill to provide money for state administered aid to these people. However, without even waiting to see if this meets the problem, a revised version of the once defeated Forand bill is advocated to force all people into a compulsory government health insurance program, regardless of need. Why? Well, ex-Congressman Forand provides the answer. He says, "If we can only break through and get our foot in the door, then we

can expand the program after that." Walter Reuther has said his group makes no secret of the fact that they want nationalized health service for all. New American, a socialist magazine, writes, "The Forand bill will not be paid for on the insurance principle according to factors of estimated risk. It will be paid for through the tax mechanisms of Social Security.....Once the bill is passed, this nation will be provided with a mechanism for socialized medicine."

In 1935, Social Security started with a 3 per cent contribution on $3000 of income. Now it is 6 per cent of $4800; and if the proposed expansions plus the medical program are adopted, by 1969 it will be 11 per cent of $5000. It is no secret that pressure is being exerted to remove even the $5000 ceiling and make Social Security payments be based on total gross income.

Social Security was never intended to replace private savings, pensions, or insurance. It was to provide a basis for savings so that outright destitution would not follow unemployment by reason of death, disability, or old age. In that light, the actuarial experts in charge estimated in 1943 that by 1957 Social Security benefit payments would total $1.2 billion per year, but, the temptation to politicians to vote people a raise particularly in election years was too great. In 1957, the total outgo was more than $7 billion and in 1959, outgo began exceeding income. The recipients of Social Security benefits today will collect $65 billion more than they paid in. You and I, who are paying into this program are unfunded to an amount between $300-and-$600 billion.

The average citizen has been led to believe he and his employer are contributing to a fund and that some day he will call upon this, his own money, to carry him over his non-earning years. But this isn't what Social Security representatives said before the United States Supreme Court. They stated that Social Security was not an insurance program and was not based on any actuarial standards. They stated that Social Security dues are a tax for the general use of the government, and the payment of that tax does not automatically entitle anyone to benefits. Benefit payments are a welfare program which can be curtailed or cancelled anytime Congress should so decide.

And what of our sons--the young man joining the work force in the next few years? He will be taxed to try and catch up on that mounting deficit. If he could have his Social Security Tax to invest in private insurance, it would provide for almost double the benefits provided by Social Security. This is not the only price we are paying in individual freedom.

The press recently told of a group whose religious belief forbade their participation in any government welfare program. Their property

was seized and their cattle sold at auction to enforce their payment of Social Security taxes.

In education, the foot in the door was the $900 million National Defense Education Act of 1958. The excuse was, as usual, the cold war. Russia had put a sputnik into orbit; obviously, our educational system must be at fault. Now the largest spending lobby in Washington is promoting a $2\frac{1}{2}$ billion program to alleviate allegedly crowded schools, underpaid teachers, and bankrupt school districts.

Again, the facts seem strangely at variance. Ninety-nine and one-half per cent of the nation's school districts have not even approached their bonded limit of indebtedness. A 35 per cent increase in students over the last decade has been matched by a 134 per cent increase in spending by the local communities. An increase of 10 million students has seen classrooms built for 15 million. Five hundred colleges, as of this moment, can take an additional 200,000 students without adding so much as a desk or chair. We are told we must build 60,000 classrooms a year for the next ten years, but they forget to tell us we've been building 68,000 a year for the last five years and that continuation of this rate will give us a surplus of classrooms by 1970.

Of course, we want teachers to be paid adequately; and we <u>are</u> doing something about it. Their average pay has risen in the last few years from $3100 to $5300 annually. The truth is, not one shred of evidence has been presented that federal aid of any kind is required. Could we possibly believe that three-fourths of one billion dollars a year in federal aid could solve any great emergency when we are spending nearly twenty billion dollars a year at the local level?

Federal aid is the foot in the door to federal control. In spite of their denials, their own words betray them. The Director of Public Education of the State of Washington tells of the two-year struggle of his state to meet the rigid requirements of the National Director of Education under the present act. He says, "This is federal control by indirection--all the more dangerous because it poses as a federal handout."

A former president of the National Education Association states publicly, "We might have to have temporary federal control to bring about integration in the South."

A former chairman of the President's youth fitness program says, "We can no longer afford local management of the schools. We must have a national school system to compete on equal terms with Russia."

The Department of Health, Education, and Welfare has quadrupled its staff and admits it is working to create national standards of education and a national curriculum.

In short, federal aid is the first step in a federal school system with teachers and subjects removed from parental control on the theory that a bureau in Washington is better qualified to supervise the upbringing of our youth.

Twenty-seven years ago, our farmers were told that a federal subsidy did not mean federal control. Now we have seen a rancher, Evetts Haley, Jr., fined $4000 for raising wheat on his own land and feeding it to his own cattle. The Supreme Court upheld his conviction with a single sentence ruling--"Yes, an agency of the federal government has the right to tell an American citizen what he can grow on his own land for his own use."

This nation has tried to curb the production of a surplus by making it so financially attractive to produce a surplus that we own enough wheat to bake twenty-five loaves of bread for every person alive. In the State of New Mexico, citizens learned they could rent state-owned land for 25¢ an acre and immediately apply for and receive $9 an acre from the federal government for not planting the land.

All of the "farm mess" is concerned with the 20 per cent of agriculture coming under government regulation and subsidy. Eighty per cent of our agricultural economy is out in the free market of supply and demand. It would seem that the answer to the "farm mess" would be to free the other 20 per cent of governmental regimentation; but, what is being advocated? We are told that the only solution to the problem is to bring the other 80 per cent into the government program. To that end a plan is advanced that would result in the licensing of every farm in the United States with complete governmental regulation of production and price. Proponents of the measure admit it will require thousands of additional government employees, more subsidy on a permanent basis, and reduction of supply to raise food prices 15 to 25 per cent. As an example, it is estimated that meat would be reduced in quantity to about what we knew under rationing in World War II.

Thomas Jefferson said, "If we let Washington tell us when to sow and when to reap, the Nation shall soon want for bread."

Today, no one denies the American people would resist the nationalization of industry. But, in defiance of this attitude the federal government owns and operates more than 19,000 businesses covering 47 lines of activity from rum distilling to the manufacture of surgical equipment. The estimated book value of 700 governmental corporations is $260 billion. Operating tax free, dividend free, and rent free in direct competition with its own citizens, the government loses billions each year in these businesses.

The next time you are caught in traffic take satisfaction in the knowledge that one of these government corporations built a six lane highway in Spain. It runs 15 miles from Madrid to a gambling casino.

All of these things have led to the growth of a collection of internal powers and bureaucratic institutions against which the individual citizen is virtually helpless. We now have a permanent structure of government beyond the reach of Congress and actually capable of dictating policy. This power, under whatever name you choose, is the very essence of totalitarianism.

A year ago, a sub-committee of Congress reported its findings in the field of federal employees. There are almost $2\frac{1}{2}$ million. In 1942, there was one top salaried executive for every 89 employees; today, there is one for every 17. The committee further reported it found little evidence that any bureau, agency, or commission created in answer to an emergency ever went out of existence after the emergency disappeared.

A case in point: Congress ordered the liquidation of the Spruce Products Corporation in 1920, but, thirty years later it was still in existence. This corporation was founded in World War I to find spruce wood for airplane fuselages.

Some people attempt to justify government in business on the grounds of greater efficiency due to central control. An example of this efficiency can be found in the Claims Department of the Veterans Administration insurance program. In that department, three government employees take double the time to perform the task normally assigned to one employee in a private insurance company.

Hopeless as it may seem, we <u>can</u> do something about it! We must inform ourselves on the proposals pending in Congress. Look beyond the foot in the door to the ultimate aim. Weigh the price we must pay in individual liberty and whether these programs qualify as things the people can't do for themselves. Then write to your Congressmen and Senators. Also, don't forget to write now and then just to say "well done" to your representative when he has acquitted himself well on the firing line.

A basic point to remember is that none of these extensions of Socialism can be effected without money. The fodder upon which our government has fed and grown beyond the consent of the governed is the fruit of the tax system whose only consistency is that a levy once imposed is seldom removed. An excise tax on telephones imposed during the Korean War was to curb telephone use during the emergency and really wasn't intended for revenue. The war is over, but the tax lingers on--the government has discovered it needs the revenue. This particular tax, plus some of the hundreds of hidden and indirect taxes that burden us, accounts

for one-third of your telephone bill. One hundred such taxes account for one-half the price of a loaf of bread, one-fourth the cost of an automobile, one-half your gas and oil.

Once we were told the income tax would never be greater than 2 per cent and that only from the rich. In our lifetime, this law has grown from 31 to more than 440,000 words. We have received this progressive tax direct from Karl Marx who designed it as the prime essential of a socialist state. In the surtax brackets, the steepest rate of increase occurs through the middle income range where are to be found the bulk of our small business men, professional people, and supervisory personnel--the people Marx said should be taxed out of existence. At sixteen-to-eighteen thousand dollars of income, a man reaches the 50 per cent tax rate. From 50 per cent on up to the confiscatory 91 per cent rate, the government can only justify these brackets on a punitive basis, for the gross revenue derived from all the tax of 50 per cent or above is less than three-fourths of $1 billion.

There can be no moral justification of the progressive tax. Perhaps that is why the bureaucrats pretend it is proportionate taxation. Proportionate taxation we would gladly accept on the theory that those better able to pay should remove some of the burden from those least able to pay. The Bible explains this in its instruction on tithing. We are told we should give the Lord one tenth and if the Lord prospers us ten times as much, we should give ten times as much. But, under our progressive income tax, computing Caesar's share is a little different. If a $5000 a year man today is prospered 10 times, his income tax increases 53 times as much.

Does this help the little man? A man with a gross income of $3500 a wife and two children will find when he has finished paying the hidden and indirect taxes, that the tax collector's share of his gross $3500 is $1059. Some suggest the answer to his problem is to tax the upper incomes even more--but what leeway is left? If the government confiscated all personal income above $6000 a year, the increased revenue wouldn't pay the interest on the national debt.

No nation in history has ever survived a tax burden of one-third of its national income. Today, 31¢ out of every dollar earned is tax and of that 31¢, 23¢ goes to the federal government; leaving 8¢ to be shared by the state, county, and local community. No wonder we are told to ask for federal aid! But wouldn't it make more sense to keep the money here in the first place instead of running it through that puzzle palace on the Potomac only to get it back minus a sizable carrying charge?

Lenin once said, "The way to destroy Capitalism is to debauch the currency. Through a process of planned inflation, a government can quietly and unobservedly confiscate the wealth of its citizens."

Henry VII substituted copper for silver in his coins, and we have been no less deliberate in our inflationary policies. Our dollar has lost more than half its purchasing power in twenty years. Of course, we are told that incomes have kept pace, that we are earning twice as much so we are still holding our own. This reasoning overlooks the part played by the progressive tax which is based on the number of dollars earned--not their value. The man who earned $5000 a year in 1940, must earn $14,000 today to break even and pay his increased surtax. The $10,000 a year man faces an increase of $12,000 in his tax bill and must now earn $31,000 just to maintain the same purchasing power.

Project these figures ahead just 15 years, keeping the same annual rate of inflation and the same tax rate, and could anyone even pretend that free enterprise will exist? By 1975, the $5000 a year man will have to earn $33,000 and the $10,000 a year man will have to earn $84,000 just to maintain their 1940 standard of living.

Here is the main battleground! We must reduce the government's supply of money and deny it the right to borrow.

Two years ago, I appeared before the House Ways and Means Committee as a representative of the motion picture industry to urge tax reform. This was an experience similar to going over Niagara Falls in a barrel--the hard way, upstream. In a month of hearings, representatives of practically every segment of our society appeared before the committee. All of them urged some kind of tax reform. It was obvious that the majority of the committee had little sympathy with our plea, so it was no surprise when, several months later, the committee decided to hold new hearings. This time no volunteers were allowed. A hand-picked group of predominently campus economists appeared and talked of plugging loopholes to increase the government's tax revenue. Most of these so-called loopholes are the legitimate deductions without which the whole tax structure would have long since proved unworkable. The suggestions included disallowance of property taxes and interest on loans for income tax purposes and even the elimination of 100 per cent deductions of charitable contributions.

The biggest lobby in Washington pushing tax reform has a bill which will increase the government's tax take about $18 billion. It is no coincidence that they have, on the other hand, recommendations for $18 billion worth of welfare legislation. This measure will actually be presented as tax reduction with some cut in surtax rates.

Those of the "liberal" persuasion say they "reject the notion that the least government is the best government." They claim our citizens are not intelligent enough to spend their money properly. They feel the government should take the money through taxation and then buy the

welfare programs for the masses which they are not smart enough to buy for themselves.

When the old fashioned idea of living within our means and paying something on the National debt is suggested, these same liberals tell us that "only State and local debt is bad." Through some exotic bookkeeping methods, they seem to feel that the Federal debt is meaningless. It is--it is incomprehensible.

If I had a four inch stack of thousand dollar bills in my hand, I'd be a millionaire. If we had the national debt of $293 billion before us in thousand dollar bills, the pile would be more than 18 miles high. Maurice Stans, former budget director, has said that this debt is only the part of the iceberg which shows above the surface. Legislation already enacted into law has obligated our government to more than $750 billion. Add to this the local and state debts plus the private debts of our citizens, and we find that we are mortgaged in an amount more than double the market value of every tangible asset and every foot of real estate in the United States.

When we point out the danger of more deficit spending, we are told, "we are sacrificing our security on the false altar of a balanced budget." This is not so. Our individual freedom and our free enterprise system are the very sources of our strength, and there can be little security any place in the free world if there isn't fiscal stability in the United States.

With no one using the term "Socialism" to describe these encroaching controls, we find that today one out of seven of the nation's work force is on the public pay roll. In just 15 years a 50 per cent increase in employees has been met with a 170 per cent increase in the public payroll. One fourth of our medicine is socialized. Senator Byrd estimates that forty million Americans receive some form of direct cash payment from government. We have a tax machine that in direct contravention to the Constitution is not designed to solely raise revenue but is used, openly and admittedly, to control and direct the economy and to equalize the earnings of our people.

Do not forsake the other issues; but as Justice Oliver Wendell Holmes said, "Strike for the jugular. Reduce taxes and spending. Keep government poor and remain free." Write to your Congressmen as individuals. Fifty letters from a group such as this means more than a resolution or a petition. Demand immediate tax reform which will reduce the percentage of the national income taken by government. There is a bi-partisan tax reform bill, the Herlong-Baker bill, now before the House Ways and Means Committee. A five year gradual reduction of rates makes it the best planned tax reform bill introduced in the last hundred years. For every billion saved in government spending, we can have a $2\frac{1}{2}$ per cent reduction of income tax.

If your Congressman should say we must cut costs first and then reduce taxes--don't stand for it. Remind him that no government in history has ever voluntarily reduced itself in size. Governments don't tax to get the money they need. Governments will always find a need for the money they get.

There can only be one end to the war we are in. It won't go away if we simply try to outwait it. Wars end in victory or defeat. One of the foremost authorities on Communism in the world today has said, we have 10 years. Not ten years to make up our minds, but ten years to win or lose--by 1970 the world will be all slave or all free.

In this land, occurred the only true revolution in man's history. All other revolutions simply exchanged one set of rulers for another. Here for the first time the Founding Fathers--that little band of men so advanced beyond their time that the world has never seen their like since--evolved a government based on the idea that you and I have the God given right and ability within ourselves to determine our own destiny. Freedom is never more than one generation away from extinction--we didn't pass it on to our children in the bloodstream. It must be fought for, protected, and handed on for them to do the same, or one day we will spend our sunset years telling our children and our children's children, what it once was like in the United States when men were free.